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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

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For the nine months ended June 30, 1992

Commission file no. 0-11527

MPSI SYSTEMS INC.

(Exact name of registrant as specified in its charter)

Delaware	73-1064024
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8282 South Memorial Drive, Tulsa Oklahoma 74133

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code (918) 250-9611

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

Number of shares of common stock outstanding at June 30, 1992 - 8,605,000

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MPSI SYSTEMS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

Assets (Note 2)	June 30, 1992 (unaudited)	September 30, 1991
Current assets:		
Cash and cash equivalents	$ 358,000	$ 1,990,000
Short-term investments, at cost	-	189,000
Receivables:		
Trade	6,211,000	5,359,000
Current portion of long-term receivables	3,912,000	3,820,000
Allowance for doubtful receivables	(19,000)	(8,000)
Inventory	600,000	559,000
Other	169,000	58,000
Total current assets	11,231,000	11,967,000
Long-term receivables, net of current portion and unamortized discount	3,996,000	5,153,000
Property and equipment, net	1,824,000	2,491,000
Software products, net	1,579,000	1,836,000
Other assets	1,151,000	1,402,000
Total assets	$19,781,000	$22,849,000

See accompanying notes to consolidated financial statements.

MPSI SYSTEMS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Cont'd)

Liabilities and Stockholders' Equity (Net Capital Deficiency)	June 30, 1992 (unaudited)	September 30, 1991
Current liabilities:		
Notes payable (Note 3)	$ 3,863,000	$ 4,702,000
11% subordinated note payable to principal stockholder maturing July 31, 1992	1,500,000	1,500,000
Accounts payable	2,196,000	1,612,000
Accrued liabilities (Note 5)	2,205,000	2,894,000
Deferred revenue	5,506,000	4,577,000
Deferred income taxes	-	164,000
Net current liabilities of discontinued operations (Note 2)	601,000	149,000
Total current liabilities	15,871,000	15,598,000
Noncurrent deferred revenue	3,331,000	4,054,000
Accrued lease obligation of discontinued operations (Note 2)	2,229,000	2,691,000
Total liabilities	21,431,000	22,343,000
Stockholders' equity (net capital deficiency):		
Preferred Stock, $.10 par value, 1,000,000 shares authorized, none issued or outstanding	-	-
Common Stock, $.05 par value, 20,000,000 shares authorized, 8,605,000 and 8,458,000 shares issued and outstanding at June 30, 1992 and September 30, 1991, respectively (Note 4)	430,000	423,000
Junior Common Stock, $.05 par value, 500,000 shares authorized, none issued or outstanding	-	-
Additional paid-in capital	8,292,000	8,115,000
Accumulated deficit	(11,343,000)	(8,822,000)
Foreign currency translation adjustment	971,000	790,000
Total stockholders' equity (net capital deficiency)	(1,650,000)	506,000
Total liabilities and stockholders' equity (net capital deficiency)	$19,781,000	$22,849,000

MPSI SYSTEMS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	1992	1991	1992	1991
Revenues:				
Software maintenance and information services	$ 5,991,000	$ 7,720,000	$21,353,000	$23,463,000
Software licensing	161,000	618,000	978,000	1,401,000
Total revenues	6,152,000	8,338,000	22,331,000	24,864,000
Cost of Sales:				
Software maintenance and information services	3,068,000	3,323,000	10,910,000	10,730,000
Software licensing	203,000	532,000	777,000	3,165,000
Total cost of sales	3,271,000	3,855,000	11,687,000	13,895,000
Gross profit	2,881,000	4,483,000	10,644,000	10,969,000
Operating expenses:				
General and administrative	933,000	1,352,000	2,705,000	4,328,000
Marketing	2,734,000	3,182,000	8,635,000	9,166,000
Research and development	707,000	741,000	1,403,000	1,707,000
Total operating expenses	4,374,000	5,275,000	12,743,000	15,201,000
Operating loss	(1,493,000)	(792,000)	(2,099,000)	(4,232,000)
Other income (expense):				
Interest income	171,000	238,000	435,000	668,000
Interest expense	(118,000)	(251,000)	(373,000)	(552,000)
Other, net	(15,000)	(281,000)	(71,000)	(353,000)
Loss before income taxes	(1,455,000)	(1,086,000)	(2,108,000)	(4,469,000)
Provision for income taxes	43,000	6,000	268,000	34,000
Loss from continuing operations	(1,498,000)	(1,092,000)	(2,376,000)	(4,503,000)
Discontinued operations (Note 2):				
Income (loss) from discontinued operations	-	38,000	-	(1,514,000)
Loss on disposal of discontinued operations	(56,000)	(131,000)	(145,000)	(3,578,000)
Loss from discontinued operations	(56,000)	(93,000)	(145,000)	(5,092,000)
Net loss	$ (1,554,000)	$ (1,185,000)	$ (2,521,000)	$ (9,595,000)
Loss per share:				
Continuing operations	$ (.17)	$ (.13)	$ (.28)	$ (.53)
Discontinued operations	(.01)	(.01)	(.02)	(.60)
Net loss	$ (.18)	$ (.14)	$ (.30)	$ (1.13)

See accompanying notes to consolidated financial statements.

MPSI SYSTEMS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
NINE MONTHS ENDED JUNE 30, 1992
(Unaudited)

	Common stock		Additional paid-in capital	Retained earnings (net capital deficiency)	Foreign currency translation adjustment	Total stock-holders' equity
	Shares	Amount				
Balance, September 30, 1991	8,458,000	$423,000	$8,115,000	$ (8,822,000)	$790,000	$ 506,000
Net loss	-	-	-	(2,521,000)	-	(2,521,000)
Stock issued for ESOP contribution	147,000	7,000	177,000	-	-	184,000
Foreign currency translation adjustment	-	-	-	-	181,000	181,000
Balance, June 30, 1992	8,605,000	$430,000	$8,292,000	$(11,343,000)	$971,000	$ (1,650,000)

See accompanying notes to consolidated financial statements.

MPSI SYSTEMS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)

	Nine Months Ended June 30,	
	1992	1991
Net loss from continuing operations	$(2,376,000)	$(4,503,000)
Adjustments to reconcile net loss from continuing operations to cash provided from continuing operations:		
Provision for losses on accounts receivable	11,000	(8,000)
Depreciation	906,000	1,338,000
Amortization	743,000	1,133,000
Deferred income taxes	-	74,000
Write-off of capitalized software development costs	-	1,808,000
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Receivables	450,000	2,331,000
Inventories	(41,000)	(388,000)
Other assets	140,000	(266,000)
Increase (decrease) in liabilities:		
Trade payables and accruals	(86,000)	(997,000)
Taxes payable	61,000	222,000
Deferred revenue	206,000	1,855,000
Net cash provided by continuing operating activities	14,000	2,599,000
Loss from discontinued operations	(145,000)	(1,514,000)
Adjustments to reconcile net loss from discontinued operations to cash used by discontinued operations:		
Provision for loss on accounts receivable in excess of write-offs	-	(16,000)
Depreciation and amortization	-	960,000
Changes in noncash current assets and current liabilities	(60,000)	488,000
Net cash used by discontinued operations	(205,000)	(82,000)
Net cash provided (used) by operating activities	(191,000)	2,517,000
Cash flows from investing activities:		
Decrease (increase) in short-term investment	189,000	(104,000)
Proceeds from asset dispositions	170,000	-
Purchase equipment	(270,000)	(661,000)
Software development	(486,000)	(1,720,000)
Net investment activities of discontinued operations	-	4,379,000
Net cash used by investing activities	(397,000)	1,894,000

MPSI SYSTEMS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)

	Nine Months Ended June 30,	
	1992	1991
Cash flows from financing activities:		
Borrowings under line of credit agreement	520,000	1,093,000
Repayments of indebtedness under line of credit agreement	(1,359,000)	(527,000)
Debt payments of discontinued operations	(205,000)	(3,800,000)
Net cash used by financing activities	(1,044,000)	(3,234,000)
Increase (decrease) in cash and cash equivalents	(1,632,000)	1,177,000
Cash and cash equivalents at beginning of period	1,990,000	1,095,000
Cash and cash equivalents at end of period	$ 358,000	$ 2,272,000

See accompanying notes to consolidated financial statements.

MPSI SYSTEMS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Notes:

Certain notes to the September 30, 1991 audited consolidated financial statements filed with Form 10-K are applicable to the unaudited consolidated financial statements for the nine months ended June 30, 1992. Accordingly, reference should be made to the Notes to Consolidated Financial Statements contained in Exhibit No. 13.1 to Form 10-K for the year ended September 30, 1991.

In the opinion of the Company, the unaudited consolidated financial statements as of June 30, 1992 contain all adjustments (including normal recurring accruals) necessary to fairly present the financial position and the results of operations of the Company. The timing of market study orders and software license agreements can significantly impact quarterly results of operations and, accordingly, the results of operations for the nine months ended June 30, 1992 are not necessarily indicative of the results to be expected for the full year.

Cash Equivalents:
The Company considers investments with an original maturity of three months or less to be cash equivalents.

Amortization of Capitalized Software:
The annual amortization of capitalized software development costs is computed on a product-by-product basis and is the greater of the amount determined using (1) the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product or (2) the straight-line method over the remaining economic life of the product. Historically, the straight-line method has resulted in a greater amount of amortization in each accounting period and has, therefore, been the basis for amortization in the current period and in prior periods. Amortization starts when the product is available for general release to customers.

2. Discontinued Operations:

On March 22, 1991, Execucom Systems Corporation ("Execucom"), a wholly owned subsidiary of MPSI Systems Inc. ("MPSI") and the subsidiaries of Execucom sold substantially all of their operating assets to Comshare, Incorporated ("Comshare") pursuant to an Asset Purchase Agreement dated March 11, 1991. The transaction was effective March 1, 1991. The following assets and liabilities remain at June 30, 1992:

Current assets	$ 35,000
Foreign taxes payable	(214,000)
Current portion of accrued lease obligation and other current liabilities	(422,000)
Noncurrent portion of accrued loss on retained lease obligation	(2,229,000)
Net liabilities of discontinued operations	$(2,830,000)

The loss on disposal includes the following components recognized during the nine months ended June 30, 1992:

Employee and corporate insurance obligations	$ (101,000)
Retained lease obligation	(181,000)
Bad debt expense	(32,000)
Final settlement of sale disputes	104,000
Miscellaneous income, net of supplier settlements	27,000
Income tax refunds, net	38,000
Loss on disposal of discontinued operations	$ (145,000)

In January 1992, a final settlement with respect to pending claims between MPSI and the purchaser was made, which resulted in a gain of approximately $104,000. No further contingent items remain. The loss on disposal includes management's best estimates as to the remaining obligations of discontinued operations and the net realizable value of retained assets. Future events could result in further losses or recovery of amounts in excess of those described above.

3. Notes Payable:

	June 30, 1992	September 30, 1991
Secured note payable under bank line of credit bearing interest at the prime rate of Bank of Oklahoma, N.A. plus 1-1/2%	$ 3,863,000	$ 4,700,000
Other	-	2,000
Total notes payable	$ 3,863,000	$ 4,702,000

The Company was in default under the bank credit agreement at September 30, 1991, as previously discussed in Form 10-K for that period. The bank had not waived the default at that time pending renegotiation of the credit agreement scheduled to mature January 31, 1992. In February 1992, a renegotiated $4.6 million bank credit agreement was executed which, among other things, (1) extended the maturity date to July 31, 1992, (2) established required principal reductions of approximately $200,000 per month during the extension period (except that no reduction was scheduled for March 1992), (3) revised the interest rate such that it is now based upon the prime rate of interest at Bank of Oklahoma, N.A. plus 1-1/2% (effectively raising the rate 1/2%), (4) granted the bank an additional security interest in fixed assets, and (5) provided that the Company would reduce the outstanding balance by $1.0 million upon the occurrence of an equity infusion (to the extent that the aggregate amount of an equity infusion exceeds that threshhold).

The financial covenants in the previous credit agreement were not revised and, accordingly, the following restrictions remained in force during the extension period:

- The Company must limit its leasing arrangements relative to real or personal property (excluding workstation computer equipment) such that the aggregate rental payments during any consecutive twelve-month period do not exceed $3.5 million.
- The Company is restricted during the commitment period as to expenditures of no more than $1,050,000 for the acquisition, construction, expansion or improvement of capital assets (excluding workstation computer equipment), software products or capital stock.

- Aggregate expenditures for workstation computer equipment may not exceed $600,000 during the commitment period whether by purchase or lease.

- The Company must not permit to exist any borrowings except (a) borrowings under this credit agreement, (b) borrowing in connection with workstation computer equipment acquisitions subject to above limitations, (c) existing debt to the principal stockholder, (d) obligations related to trade payables incurred in the ordinary course of business, or (e) obligations under the office lease agreement retained relative to the discontinued Execucom operations.

Management is of the opinion that these financial restrictions do not adversely affect the Company's operations, as they allow sufficient opportunity to meet anticipated operating requirements during the commitment period. The Company is, however, still in default with respect to (1) the minimum tangible net worth requirement of $5.0 million and (2) the maximum 5.0 to 1 ratio of total liabilities to tangible net worth. The bank will not waive the defaults and continues to restrict further advances although they have not indicated an intention to accelerate the debt maturity. The Company made all required principal and interest payments through March 31, 1992, but was unable to make the required $200,000 principal payment due April 30, 1992. Subsequently, the bank agreed to a revised payment plan wherein the Company was to make weekly principal payments of $12,500 plus interest through the July 31, 1992 extension maturity date. The Company has made all required payments through July 31, 1992 and is currently negotiating with the bank for a further extension of the loan.

4. Supplemental Information - Statements of Cash Flow

The Company paid interest of $373,000 and $732,000 during the nine months ended June 30, 1992 and 1991, respectively. Income taxes of $195,000 were paid during the nine months ended June 30, 1992, whereas income tax refunds of $262,000 were received during the nine months ended June 30, 1991.

The Company made its 1991 matching contribution to the employee stock ownership and investment plan with approximately 147,000 previously unissued shares of Common Stock which resulted in a non-cash reduction of accrued liabilities by approximately $184,000.

5. Lease Obligations

The Company is in arrears with respect to certain monthly lease payments due during the quarter ended June 30, 1992 for its office leases in Irving, Texas, Austin, Texas and Toronto, Canada. All employees and operations have been removed from these offices and the Company is attempting to negotiate settlements with the landlords or to sublease the facilities. The Austin landlord satisfied the April and May rental arrearages by drawing against a $100,000 letter of credit posted by the Company at the inception of the lease as a security deposit. The landlord has demanded that the Company post a new $100,000 letter of credit, but no such security has been arranged to date. Existing sublease rentals at that location have been directed to the landlord and the landlord is also seeking sublease candidates. On June 18, 1992, the Irving, Texas landlord filed a lawsuit to recover rents owed (see Note 6) and has denied the Company further access to the premises. The Canadian landlord is actively seeking a sublessee or substitute lessee on the Company's behalf.

The following table summarizes these lease obligations at June 30, 1992:

Location	Square Feet	Expiration Date	Rents in Arrears	Aggregate Remaining Rents(*)
Austin, Texas	57,000	July 31, 2000	$ 77,000	$4,906,000
Irving, Texas	10,000	September 30, 1996	46,000	659,000
Toronto, Canada	2,500	April 30, 1993	10,000	29,000

*Excluding rent in arrears, operating expenses and offsetting sublease rentals.

With respect to the Austin, Texas lease, the Company established an accrual for its estimated costs net of sublease rentals at March 31, 1991, concurrent with the sale of the Execucom subsidiary. That liability is reflected in the consolidated balance sheet as Accrued Lease Obligation of Discontinued Operations. No liability has been recorded regarding the Irving, Texas lease pending the results of litigation now in process (see Note 6).

The Company is in arrears on the rent at its headquarters facility in Tulsa, Oklahoma in the aggregate amount of approximately $160,000. Arrangements have been made for partial payments to cover operating costs of the building until cash flows permit full settlement.

6. Legal Proceedings

SunBank/Miami v. MPSI Inc.

SunBank/Miami, N.A. filed suit on January 6, 1992, in Dade County, Florida District Court against MPSI Inc. seeking the return of $207,000 SunBank had paid MPSI for a study. The case was tentatively settled on July 30, 1992, with MPSI agreeing to pay SunBank the principal sum of $130,000 with interest thereon at 6% per annum in thirteen installments, commencing January 15, 1993, and ending on December 29, 1993. MPSI had accrued for this potential liability at September 30, 1991 such that the impact of this settlement will not materially impact the 1992 results of operations.

T-Las Colinas Towers Corp. v. MPSI Inc.

T-Las Colinas filed suit on June 18, 1992, in the Dallas County, Texas District Court against MPSI Inc. seeking to recover past due rent in excess of $45,000. MPSI has filed a counterclaim against T-Las Colinas and a third-party complaint against the property manager, JPI, seeking a declaration that the lease was terminated in June 1992, actual damages for breach of contract and actual and punitive damages for tortuous interference with contract and/or prospective business relations, conversion and violation of the Texas Deceptive Trade Practices Act. T-Las Colinas' reply to the counterclaim and JPI's answer to the third-party claim are due in August 1992.

MPSI Systems Inc. v. Control Sciences Limited, et al.

On April 7, 1992, MPSI filed its Complaint in the Federal Court in Tulsa seeking a declaratory judgment that a software system created by MPSI known as the "Automated Pricing System" does not infringe any exclusive right of any of the defendants, including any copyright or trademark rights. The dispute resulted from a Software Licensing Agreement whereby one of the defendants, Control Sciences Limited ("CSL"), as licensor, granted MPSI rights to a certain software program known as "Price-Strat." MPSI subsequently independently developed its Automated Pricing System.

Defendants have made certain allegations that MPSI has violated the licensing agreement, and has infringed defendants' copyright and trademark rights. MPSI has asked for declaratory judgment that (1) MPSI's Automated Pricing System software is not subject to any exclusive right of the defendants; (2) MPSI's development of the Automated Pricing System software does not violate the licensing agreement or any other right of defendants; (3) MPSI's Automated Pricing System software is the exclusive property of MPSI; and other specific declaratory relief.

Defendants filed a motion to dismiss and alternative motion to stay on June 1, 1992. Briefing on defendant's motion is complete, and no decision has yet been received from the Court. The case has been set for initial status conference in September 1992.

Control Sciences Limited v.MPSI Systems Inc., et al.

After the Tulsa suit was filed, CSL filed suit in England on May 28, 1992. CSL seeks a declaration that all copyright and intellectual property rights of the computer programs are vested in CSL. It also claims damages in an unspecified amount for breach of the Software Licensing Agreement by MPSI and asks for an injunction to restrain MPSI from breaching the Agreement by using or disclosing any confidential information of CSL.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND QUARTERLY RESULTS OF OPERATIONS

Results of Continuing Operations

The Company reported a net loss from continuing operations of $1,498,000 ($.17 per share) on revenues of $6,152,000 for the third quarter ended June 30, 1992 compared with a net loss $1,092,000 ($.13 per share) on revenues of $8,338,000 for the comparable period last year. The loss from continuing operations of $2,376,000 or $.28 per share on revenues of $22,331,000 for the nine months ended June 30, 1992 compares with a loss of $4,503,000 or $.53 per share on revenues of $24,864,000. A further net loss of $145,000 was recognized from discontinued operations for the nine months of this year compared with a loss of $5,092,000 during the comparable period last year and includes trailing costs related principally to employee matters and a retained office lease.

The general business trend, discussed in previous quarterly reports, continued during the third quarter ended June 30, 1992. New orders continued from Pacific Rim clients, orders remained flat from Europe and South America, and the volume of new business in North America continued to be disappointing. These trends are anticipated to continue through the remainder of 1992. The first orders for the Company's new Operational Performance Software ("OPS") were recorded during the current quarter. Petroleum clients in Australia and the United States have placed orders for software including the OPS, and one of those clients placed concurrent orders for CCMS databases (multi-year market studies). These orders ratify the Company's optimism concerning these new products and their potential to revitalize market study volumes in more mature markets where retail network optimization is more important to MPSI's clients than site selection and network expansion.

The Company continues to seek opportunities to diversify its revenue base, particularly in the governmental market. MPSI consultants continue to assist the United States Postal Service with its evaluation of a pilot project which has consumed significant MPSI resources during the nine months ended June 30, 1992. Although this project adversely impacted profitability during the current nine-month period, there is a potential for significant new business in 1993 and beyond from this relationship. A decision is expected in September 1992. Negotiations are under way with two additional foreign postal agencies, one a former client and one a potential new client in Europe.

These new products and potential new clients represent an opportunity to revitalize the revenue growth trend which has been declining since the Persian Gulf War. In the near term, and until such time as orders and revenue can be increased more in line with historical growth trends, management continues to focus on cost containment. Early in fiscal year 1992 MPSI implemented a cost reduction and consolidation plan. Production of the Company's market studies was consolidated back into the United States (portions of these studies were previously done in Bristol, England and in Singapore) resulting in staff reductions, management reductions, management salary reductions, and office downsizing overseas. More recently in the third quarter ended June 30, 1992, additional staff reductions took place and stringent spending restrictions were implemented. As part of these changes, the Company's founder and Chairman was restored to an active role in the Company's operations. Although results of operations during the current nine-month period began to reflect the effects of these changes, costs should further decline during the last fiscal quarter and beyond.

A review of the statement of operations for the nine months ended June 30, 1992, as compared with the comparable period last year, indicates several significant fluctuations.

1. Software revenues are lower for the current quarter and nine months compared with the same time periods last year. This is indicative of the fact that revenues for individual interim periods may fluctuate significantly as the result of the timing of software license agreements, because of which management believes that the Company's results of operations should be evaluated on an annual basis.

   The gross profit from this product line is historically subject to significant variation depending upon the amount of amortization or write-off of capitalized software development costs. The gross profit for software licensing during the nine months ended June 30, 1992 was improved as compared with the prior year periods in which

significant write-offs of capitalized software costs were taken in line with the Company's re-evaluation of the profitability related to various geographic markets previously served. This adjustment was required to give effect to shortened economic lives of certain software products as the result of (1) the Company's 1989 commitment to workstation computer technology, a rapidly changing environment, and (2) the refocus on the core petroleum business and on the most economically profitable geographic markets. Management expects the gross profit from this profit line to increase since more conservative policies are now in effect relative to capitalization of software development costs; a position which should reduce the Company's exposure to significant future write-offs.

2. Operating expenses have declined approximately 16% during both the quarter and the nine months ended June 30, 1992 as compared with the year-ago periods. General and administrative expenses have declined by approximately $1.6 million or 38% during the nine months as compared with June 30, 1991. This decline is principally attributable to staff and management reductions, and to the fact that 1991 contained approximately $500,000 of start-up costs related to a Total Quality Management Program. Marketing expenses have declined only approximately 6% compared with last year as these costs were not as heavily impacted by the corporate restructuring as were other operating expenses. Research and development costs declined principally due to a shift, during the current nine-month period, of resources to the USPS project reflected in cost of sales.

3. Interest income has declined due to reduced cash reserves (see discussion of Liquidity below) and lower outstanding receivables related to software licenses agreements.

4. Interest expense has declined due to lower interest rates during the current nine-months than in the comparable period last year, and due to the fact that the outstanding balance under the bank line of credit has been substantially reduced from June 1991.

5. The Company accrued foreign income taxes related to the first quarter of 1992 production operations in Singapore (prior to consolidation back to the U.S.). Additionally, certain foreign customers are withholding foreign income taxes from amounts remitted to the U.S. in settlement of market study and software license billings.

Discontinued Operations

The Company continues to incur modest trailing costs not previously included in estimated accruals at disposition, which costs are related principally to employee insurance claims and the retained lease obligation. Although no contingent claims remain between MPSI and the purchaser of Execucom, the Company continues to pursue relief from a long-term lease of Execucom's former corporate headquarters in Austin, Texas. Portions of that office space have been subleased and the Company accrued for the estimated liability for unused space at September 30, 1991. During the quarter ended June 30, 1992, MPSI vacated the small portion of the facility that it had been occupying and notified the landlord that it was no longer going to utilize the remaining space. MPSI had not paid the June rent, has not made a $100,000 security deposit demanded by the landlord, and is negotiating with the landlord concerning further subleases or settlement of the remaining lease liability.

Financial Condition

During the second quarter ended March 31, 1992 MPSI renegotiated an extension of its bank credit agreement to July 31, 1992 (as discussed more fully in Note 2 to the accompanying consolidated financial statements). Since the bank did not revise certain financial covenants relating the minimum tangible net worth and the ratio of debt to equity, the Company continues to be in default under the extended agreement. The bank will not waive the default and no negotiations are under way with respect to possible waivers. MPSI was unable to make the April debt payment of $200,000, but after further renegotiation, has made all required weekly payments consisting of $12,500 principal plus interest, through July 31, 1992. The bank has not indicated its intention to accelerate the maturity of the remaining outstanding balance. The bank has however, imposed restrictions on further borrowings until such time as the defaults

are cured. MPSI is negotiating with the bank concerning a further extension of the agreement which expired July 31, 1992.

The continued lack of profitability for the nine months ended June 30, 1992, coupled with certain restrictions on borrowings outside the line of credit, makes it difficult for MPSI to obtain external financing. Essentially, the Company must generate sufficient cash from continuing operations in order to fund those operations and any capital investments required. The recent cost containment measures and production consolidation are directed at generating cash flow from operations sufficient to meet these needs. Although it is difficult to assess the ultimate impact of the recent cost reduction measures, Management anticipates that the Company will continue to fund its requirements through continuing operations.

The Company was generally able to fund its operating needs and reduce its bank debt during the nine months ended June 30, 1992 due in part to higher orders early in the fiscal year. During the most recent six months, orders have been lower than expected for the economic reasons discussed under Results of Continuing Operations. Therefore, the Company was required to utilize portions of its cash reserves to meet operating needs. The pressure on cash reserves has resulted in temporary deferrals of payments to suppliers and others for longer periods than has historically been the Company's practice. The Company has notified the landlords in Irving, Texas and Toronto, Canada of its intent to seek sublessees or substitute lessees for those facilities. The Irving, Texas landlord failed to approve a sublease of the facility and has sued MPSI for rents in arrears as discussed more fully in note 6 to the consolidated financial statements. The landlord in Canada is working with the Company to identify a sublessee or substitute lessee. Recent collections have enabled the Company to bring its suppliers' accounts more current and generally to maintain satisfactory creditor relationships.

The reduction of corporate liquidity discussed above has required management to limit capital spending in the near term. It is estimated that fixed asset acquisitions of $100,000 might be required during the remainder of fiscal year 1992. These costs are mainly for replacements of older equipment or are for additional workstation computers which may be required to meet production needs.

Additional capital expenditures of approximately $50,000 will also be required in order to complete development of new products. Currently in the final stages of development is an Operational Performance System ("OPS") scheduled for general release later this fiscal year. The OPS is designed for clients in more mature markets where operational optimization rather than retail site selection is the client's principal concern. This product is aimed at revitalizing markets like the United States and certain western European countries where MPSI's clients are no longer as "site selection" oriented. The software model itself will be made available to existing clients at a nominal cost, but should then produce a renewed interest in market studies. The Company is also beginning a major enhancement to its site selection software which should be available to clients in fiscal year 1993. Site selection and real estate investment continues to be the primary focus in the Pacific Rim and certain eastern European countries.

The release of one new product discussed in previous reports, the Automated Pricing System, has been delayed because of certain copyright and trademark issues which must be resolved prior to the release. In order to clarify the ownership rights, MPSI filed a lawsuit seeking a declaratory judgement confirming MPSI's rights. A counter suit has been filed in the United Kingdom seeking unspecified damages and injunctive protection with regards to the software. See note 6 to the consolidated financial statements for further information concerning this litigation.

The Company issued approximately 147,000 shares of previously unissued Common Stock in settlement of its 1991 matching contribution requirement to the employee stock ownership and investment plan. Management is currently exploring an equity infusion, possibly through private placement of Common Stock.

PART II - OTHER INFORMATION

Item 1 -- Legal Proceedings - See Note 6 to Consolidated Financial Statements on pages 12 and 13.

Item 2 -- Changes in Securities - None.

Item 3 -- Defaults Upon Senior Securities - See Notes 3 and 5 to Consolidated Financial Statements on pages 10 and 11, respectively.

Item 4 -- Submission of Matters to a Vote of Security Holders - None

Item 5 -- Other Information - None

Item 6 -- Exhibits and Reports on Form 8-K.

		Page
(a)	Exhibit:	
	11.1 Earnings per share computation	19
(b)	Reports on Form 8-K - A report on Form 8-K related to the delisting of MPSI stock by NASDAQ was filed with the Securities and Exchange Commission on April 22, 1992 (File No. 0-11527).	

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed in its behalf by the undersigned hereunto duly authorized.

MPSI SYSTEMS INC.

Date August 10, 1992

By /s/ Ronald G. Harper
Ronald G. Harper, President
(Chief Executive Officer) and
Director

Date August 10, 1992

By /s/ Quentin L. Mantooth
Quentin L. Mantooth
Sr. Vice President - Finance and
Administration (Principal Accounting
and Financial Officer)

EXHIBIT 11.1 - Earnings Per Share Computation

Earnings per share calculations have been affected by the granting of stock options under the provisions of MPSI Systems Inc. Stock Option Plans. The granting of these options has had a dilutive effect on earnings per common and common equivalent share. Following is a summary computation of the weighted average number of shares outstanding and earnings per share using the treasury-stock method. Primary and fully diluted earnings per share are the same for each period presented.

MPSI SYSTEMS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	1992	1991	1992	1991
Common shares outstanding at beginning of period	8,458,000	8,458,000	8,458,000	8,458,000
Incremental shares due to issuance of 147,000 shares of Common Stock to ESOP	147,000	-	65,000	-
Total weighted average shares outstanding	8,605,000	8,458,000	8,523,000	8,458,000
Loss from continuing operations	$(1,498,000)	$(1,092,000)	$(2,376,000)	$(4,503,000)
Loss from discontinued operations	$ (56,000)	$ (93,000)	$ (145,000)	$(5,092,000)
Loss per share:				
Continuing operations	$ (.17)	$ (.13)	$ (.28)	$ (.53)
Discontinued operations	$ (.01)	$ (.01)	$ (.02)	$ (.60)
Net loss	$ (.18)	$ (.14)	$ (.30)	$ (1.13)